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Adam Proffitt, Director

Laura Kelly, Governor

January 24, 2022

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 548-S
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 326 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 326 is respectfully submitted to your committee.

SB 326 would create a new income tax credit for qualified railroad track maintenance expenditures of short line railroads for tax years 2022 through 2031. The bill would allow an income tax credit of 50.0 percent of an eligible taxpayer's expenditures for qualified railroad track maintenance during the tax year. The amount of the tax credit allowed for an eligible taxpayer cannot exceed the product of $5,000 and the number of miles of railroad track owned or leased within Kansas by the eligible taxpayer. The total amount of tax credits would be capped at $8,720,000 for each tax year. The tax credit is transferable and non-refundable and can be carried forward for up to five tax years. The Department of Revenue would have the authority to write rules and regulations to implement the bill. The Department of Transportation would have the option to write rules and regulations to permit the verification of the eligibility of the railroad track maintenance expenditures for the taxpayer to receive the new tax credit.

Estimated State Fiscal Effect				
	FY 2022 SGF	FY 2022 All Funds	FY 2023 SGF	FY 2023 All Funds
Revenue	--	--	($8,720,000)	($8,720,000)
Expenditure	--	--	$204,419	$204,419
FTE Pos.	--	--	--	1.00

The Department of Revenue estimates that SB 326 would decrease State General Fund revenues by $8,720,000 in FY 2023. The fiscal effect to state revenues during subsequent years would be as follows:

	FY 2024	FY 2025	FY 2026	FY 2027
State General Fund	($8,720,000)	($8,720,000)	($8,720,000)	($8,720,000)

The Department indicates it would require $204,419 from the State General Fund in FY 2023 to implement the bill and to modify the automated tax system. The bill would require the Department to hire 1.00 new FTE position to answer questions from taxpayers and manage this new tax credit. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required.

The Department of Transportation indicates that the administrative costs associated with implementing the bill would be negligible and could be absorbed within existing resources. Any fiscal effect associated with SB 326 is not reflected in *The FY 2023 Governor's Budget Report*.

Sincerely,

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Brendan Yorkey, Department of Transportation